


January 18, 2006

GVEC PS C1 Trust Dated June 24, 2005  
c/o Erwin & Johnson, LLP Trustees for the  
GVEC PS C1 Trust dated June 24, 2005  
2603 Main St., Suite 1180  
Irvine, CA 92614

Reference: Policy Number AM000005CO  
Effective Date: January 1, 2006  
Series: C1  
Death Benefits: US \$4,275,000  
Rate: 10%  
Premium: US \$427,500

Receipt of the above-stated premium of US \$427,500 is hereby acknowledged by John Hamilton on behalf of Strategy Insurance Limited which amount is all the premium due and paid-in-full for the above-referenced policy effective January 1, 2006.

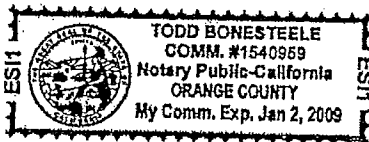
  
John Hamilton

January 18, 2005 



**CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT**State of CALIFORNIACounty of ORANGEOn JANUARY 19, 2006 before me, TODD BONESTEEL, NOTARY PUBLIC  
Name and Title of Officer (e.g., "Jane Doe, Notary Public")personally appeared JOHN HAMILTON  
Name(s) of Signer(s)

☐ personally known to me -OR- ☒ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

  
Signature of Notary Public
**OPTIONAL**

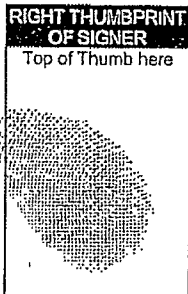
Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

**Description of Attached Document**Title or Type of Document: RECEIPT OF PREMIUM TO POLICY "AM0000600 ON BEHALF OF STRATEGY INSURANCE LIMITED"Document Date: 1/18/06 Number of Pages: 1

Signer(s) Other Than Named Above: \_\_\_\_\_

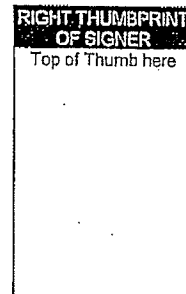
**Capacity(ies) Claimed by Signer(s)**Signer's Name: JOHN HAMILTON

- ☐ Individual  
☒ Corporate Officer  
☐ Title(s): \_\_\_\_\_  
☐ Partner - ☐ Limited ☐ General  
☐ Attorney-in-Fact  
☐ Trustee  
☐ Guardian or Conservator  
☐ Other: \_\_\_\_\_


 Signer Is Representing:  
STRATEGY INSURANCE LIMITED

Signer's Name: \_\_\_\_\_

- ☐ Individual  
☐ Corporate Officer  
☐ Title(s): \_\_\_\_\_  
☐ Partner - ☐ Limited ☐ General  
☐ Attorney-in-Fact  
☐ Trustee  
☐ Guardian or Conservator  
☐ Other: \_\_\_\_\_

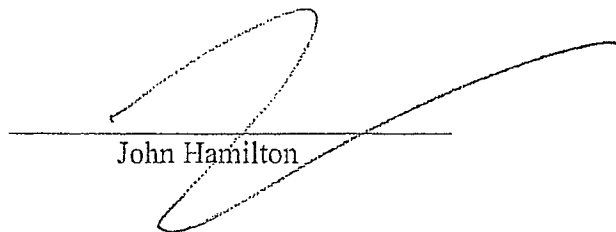

 Signer Is Representing:  
 \_\_\_\_\_  
 \_\_\_\_\_

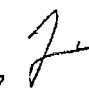
January 18, 2006

GVEC PS D1 Trust Dated June 30, 2005  
c/o Erwin & Johnson, LLP Trustees for the  
GVEC PS D1 Trust dated June 30, 2005  
2603 Main St., Suite 1180  
Irvine, CA 92614

Reference: Policy Number AM000006CO  
Effective Date: January 1, 2006  
Series: D1  
Death Benefits: US \$17,725,000  
Rate: 10%  
Premium: US \$1,772,500

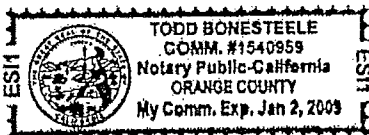
Receipt of the above-stated premium of US \$1,772,500 is hereby acknowledged by John Hamilton on behalf of Strategy Insurance Limited which amount is all the premium due and paid-in-full for the above-referenced policy effective January 1, 2006.

  
John Hamilton

January 18, 2006 

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT**State of CALIFORNIACounty of ORANGEOn JANUARY 19, 2006 before me, TODD BONESTEELE NOTARY PUBLIC  
Name and Title of Officer (e.g., "Jane Doe, Notary Public")personally appeared JOHN HAMILTON  
Name(s) of Signer(s)

☐ personally known to me -OR- ☒ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Signature of Notary Public

**OPTIONAL**

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

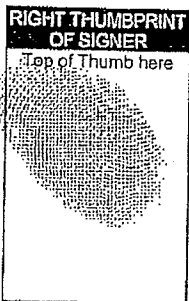
**Description of Attached Document**Title or Type of Document: RECEIPT OF PREMIUM TO POLICY #AM00000500Document Date: 1/18 Number of Pages: 1

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**Signer's Name: JOHN HAMILTON

- ☐ Individual  
☒ Corporate Officer  
☐ Titles(s): \_\_\_\_\_  
☐ Partner - ☐ Limited ☐ General  
☐ Attorney-in-Fact  
☐ Trustee  
☐ Guardian or Conservator  
☐ Other: \_\_\_\_\_

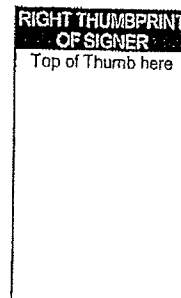
Signer Is Representing:

STRATEGY INSURANCE LIMITED

Signer's Name: \_\_\_\_\_

- ☐ Individual  
☐ Corporate Officer  
☐ Title(s): \_\_\_\_\_  
☐ Partner - ☐ Limited ☐ General  
☐ Attorney-in-Fact  
☐ Trustee  
☐ Guardian or Conservator  
☐ Other: \_\_\_\_\_

Signer Is Representing:



FULBRIGHT & JAWORSKI L.L.P.

A REGISTERED LIMITED LIABILITY PARTNERSHIP  
666 FIFTH AVENUE, 31ST FLOOR  
NEW YORK, NEW YORK 10103-3198  
WWW.FULBRIGHT.COM

CHARLES D. SCHMERLER  
PARTNER  
CSCHMERLER@FULBRIGHT.COM

DIRECT DIAL: (212) 318-3021  
TELEPHONE: (212) 318-3000  
FACSIMILE: (212) 318-3400

June 14, 2006

Strategy Investments, LLC  
200 Yorkland Boulevard, Suite 200  
Toronto, Ontario M2J 5C1  
Canada  
Attn: Sandro Sorti

Strategy International Insurance Group, Inc.  
200 Yorkland Boulevard, Suite 710  
Toronto, Ontario M2J 5C1  
Canada

Strategy Resort Financing, Inc.  
200 Yorkland Boulevard, Suite 200  
Toronto, Ontario M2J 5C1  
Canada

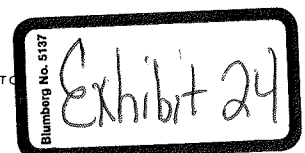
Re: Loan Agreement, Made as of January 26, 2006, by and between GVEC Resource, Inc. and Strategy Investments LLC (the "Loan Agreement")

Gentlemen:

We represent GVEC Resource Inc. ("GVECR"). GVECR has been served with a summons and complaint in an action pending in the Northern District of California, encaptioned *SVC-Napa, L.P. v. Strategy Resort Financing, Inc., et al.*, Case No. C 06 3561 (SI) (the "Shell Litigation"). The claims against GVECR in the Shell Litigation arise from GVECR's role as a party to the Loan Agreement and certain Loan Documents.

Section 6.4 of the Loan Agreement states as follows:

Release and Indemnification. The Borrower will at all times protect and hold the Lender and its respective members, officers, employees, counsel and agents harmless against any claims or liability resulting from any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Loan or the use thereof, including without limitation any lease thereof or assignment of its interest in this Agreement, such indemnification to include reasonable expenses and attorneys' fees incurred by the Lender and its members, officers, employees, counsel and agents in connection therewith, provided that such indemnity will be effective only to the extent of any loss that may be sustained by the Lender or its respective members, officers, employees, counsel and agents in excess of the net proceeds received by it or them from any insurance carrier with respect to such loss; and provided



Strategy Investments, LLC  
Strategy International Insurance Group, Inc.  
Strategy Resort Financing, Inc.  
June 14, 2006  
Page 2

further that the benefits of this Section will not inure to any person other than the Lender or its members, officers, employees and agents.

Additionally, Section 7.1(b) of the Loan Agreement states as follows:

If any attorney is engaged by Lender: (i) to collect the Loan or any sums due under the Loan Documents including this Agreement or the Note, whether or not legal proceedings are thereafter instituted by the Lender; (ii) to represent the Lender in any bankruptcy, reorganization, receivership, or other proceedings wherein Borrower is a party, affecting creditors' rights and involving a claim under this Agreement or the Note; (iii) to protect the liens and security interests under any of the Loan Documents; (iv) to foreclose on the collateral described in any of the Loan Documents; (v) to represent the Lender in any other proceedings whatsoever in connection with any of the Loan Documents including, without limitation, post judgment proceedings to enforce any judgment related to the Loan Documents, bankruptcy, and probate proceedings; or (vi) in connection with seeking an out-of-court workout or settlement of any of the foregoing, then the Borrower shall pay to the Lender all reasonable costs, attorneys' fees, and expenses in connection therewith, in addition to all other amounts due under this Agreement or the Note.

Pursuant to these provisions, the Borrower is required to pay to GVECR all reasonable costs, attorneys' fees and expenses incurred in connection with the Shell Litigation, and to indemnify GVECR for all losses arising therefrom. Accordingly, GVECR hereby demands that the Borrower affirm its obligation to make such payments to GVECR. We will require receipt of such written affirmation on or before the close of business on Friday, June 16. Failure to deliver such affirmation will be deemed by GVECR to constitute an Event of Default.

Thank you for your cooperation.

Very truly yours,



Charles D. Schmerler

CDS/kdp

cc: Martin Weisberg, Esq.  
Baker & McKenzie



June 23, 2006

Charles D. Schmeler, Esq.  
Fulbright & Jaworski,  
666 Fifty Avenue, 31<sup>st</sup> Floor  
New York, NY 10103-3198

Re: Loan Agreement dated as of January 26, 2006 (the "Loan Agreement"),  
by and between GVEC Resources, Inc. and Strategy Investments LLC

Dear Mr. Schmeler:

We are in receipt of your letter dated June 14, 2006 with respect to the above-referenced Loan Agreement.

Your letter refers to a certain action pending in the Northern District of California, encaptioned SVC-Napa, L.P. v Strategy Resort Finance, et. al., Case No. C 06 3561 (SI) (the "Litigation"). Please forward a copy of the summons and complaint referred to in your letter, so we can evaluate your claim for indemnification on behalf of your client GVEC Resource, Inc. ("GVEC") under the Loan Agreement.

We would first like to point out that our position regarding the January 26, 2006 Loan Agreement is that the Loan was never advanced in accordance with its terms and that all of the underlying transactions entered into in connection therewith are null and void and of no force or effect. This position was set forth in a letter dated May 24, 2006 to Mr. Robert J. Anderson, Director of GVEC Resources Incorporated.

In addition, Section 6.4 of the Loan Agreement appears to apply to indemnification resulting from any loss or damage to property or any injury or death to any person. Based upon our understanding of the matters referred to in the complaint, they are outside the scope of the indemnification set forth in Section 6.4 of the Loan Agreement.

We would also like to point out that even if the matters in the summons and complaint relative to GVEC are covered by the indemnification obligation of Section 6.4 (of which we have not yet made a determination), the right to indemnification is subject to the claims or damages for which indemnification is subject not resulting from GVEC's own gross negligence or willful misconduct. Therefore, no indemnification will be appropriate (to the extent applicable under the Loan Agreement), until there is a determination by a court of competent jurisdiction, that GVEC's actions or inactions do not constitute gross negligence or willful misconduct.

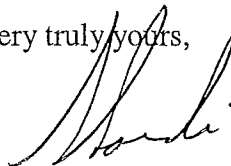
We believe your reference to Section 7.1(b) is inappropriate. Section 7.1(b) relates to the Borrower's (as defined in the Loan Agreement) obligation to reimburse GVEC for reasonable attorney's fees incurred in connection with enforcing the Loan Documents. The Shell Litigation is outside the scope of Section 7.1(b) of the Loan Agreements. Moreover, as discussed above, at present, we can not at this time determine



if indemnification is appropriate. Accordingly, Strategy Investments, LLC does not accept any obligations to reimburse GVEC for its reasonable attorney's fees and costs based upon the points raised in your June 14, 2006 letter.

We reserve all of our rights and remedies.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Sordi', written over the closing 'yours,'.

Sandro Sordi  
Strategy Investments LLC

cc: Martin Weisberg, Baker & McKenzie LLP  
Louis E. Lettieri, Strategy International Insurance Group, Inc.  
Stephen F. Stonhill, Strategy International Insurance Group, Inc.

**Schmerler, Charles D.**

---

**From:** Schmerler, Charles D.  
**Sent:** Thursday, June 15, 2006 5:44 PM  
**To:** 'Martin.E.Weisberg@bakernet.com'  
**Cc:** Peter Paul Mendel; Robert Anderson; Todd Gillespie; Anthony Bufinsky  
**Subject:** GVECR/Strategy Loan Agreement

Marty:

I understand that Mike Kelly has sent a draft opinion letter from your firm to Peter Paul Mendel and indicated that additional documents are not forthcoming. My understanding from you during our call last Friday was that you would email to me scanned copies of the bond and documents relating to the reinsurance. I would appreciate your prompt advice as to whether I can expect to receive those documents. Thank you.

Regards,

Chad Schmerler

**Charles D. Schmerler, Esq.**  
**FULBRIGHT & Jaworski L.L.P.**  
666 Fifth Avenue  
New York, NY 10103  
Phone: 212-318-3021  
Fax: 212-318-3400  
Email: [cschmerler@fulbright.com](mailto:cschmerler@fulbright.com)  
<http://www.fulbright.com/>

\*\*\*\*\*

This email message and any attachments are for the sole use of the intended recipient(s) and contain confidential and/or privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply email and destroy all copies of the original message and any attachments.

To reply to our email administrator directly, send an email to [postmaster@fulbright.com](mailto:postmaster@fulbright.com).



**Schmerler, Charles D.**

---

**From:** Weisberg, Martin E. [Martin.E.Weisberg@BAKERNET.com]  
**Sent:** Friday, June 16, 2006 10:21 AM  
**To:** Schmerler, Charles D.  
**Subject:** RE: GVECR/Strategy Loan Agreement

Chad:

I have not yet received any documents from Mike Kelly, although I was out of the office for the last two days.  
The draft opinion that was sent to Peter Paul is a draft that I furnished Mike earlier in the week.

I hope to be in touch with Mike later today after which I will give you an update.

Regards  
Marty Weisberg

Martin Eric Weisberg  
Baker & McKenzie LLP  
1114 Avenue of the Americas  
New York, NY 10036  
Phone: (212) 626-4512  
Fax: (212) 310-1786  
martin.e.weisberg@bakernet.com

-----Original Message-----

From: Schmerler, Charles D. [mailto:cschmerler@fulbright.com]  
Sent: Thursday, June 15, 2006 5:44 PM  
To: Weisberg, Martin E.  
Cc: Peter Paul Mendel; Robert Anderson; Todd Gillespie; Anthony Bufinsky  
Subject: GVECR/Strategy Loan Agreement

Marty:

I understand that Mike Kelly has sent a draft opinion letter from your firm to Peter Paul Mendel and indicated that additional documents are not forthcoming. My understanding from you during our call last Friday was that you would email to me scanned copies of the bond and documents relating to the reinsurance. I would appreciate your prompt advice as to whether I can expect to receive those documents. Thank you.

Regards,

Chad Schmerler

Charles D. Schmerler, Esq.  
FULBRIGHT & Jaworski L.L.P.  
666 Fifth Avenue  
New York, NY 10103  
Phone: 212-318-3021  
Fax: 212-318-3400  
Email: cschmerler@fulbright.com  
<http://www.fulbright.com/>

\*\*\*\*\*

This email message and any attachments are for the sole use of the intended recipient(s) and contain confidential and/or privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply email and destroy all copies of the original message and any attachments.

To reply to our email administrator directly, send an email to [postmaster@fulbright.com](mailto:postmaster@fulbright.com).

Pursuant to requirements related to practice before the Internal Revenue Service, any tax advice contained in this communication (including any attachments) is not intended to be used, and cannot be used, for the purposes of (i) avoiding penalties imposed under the United States Internal Revenue Code or (ii) promoting, marketing or recommending to another person any tax-related matter.

This message may contain confidential and privileged information. If it has been sent to you in error, please reply to advise the sender of the error and then immediately delete this message. Click [here](http://www.bakernet.com/disclaimer_bm) or visit [www.bakernet.com/disclaimer\\_bm](http://www.bakernet.com/disclaimer_bm) for other important advice concerning this message.

**Schmerler, Charles D.**

---

**From:** Schmerler, Charles D.  
**Sent:** Monday, June 19, 2006 6:28 PM  
**To:** 'Martin.E.Weisberg@bakernet.com'  
**Subject:** Strategy Loan Documents

Dear Marty:

Following up on our conversation of last week, please advise when you anticipate advising as to the delivery of the certificates representing the Member Interest and/or Additional Member Interest of SIIG in SILLC, together with the relevant executed powers. I had understood from you that you were to be in communication with Baker & Hostetler to resolve the issue. Thank you.

Regards,

Chad Schmerler

**Charles D. Schmerler, Esq.**  
**FULBRIGHT & Jaworski L.L.P.**  
666 Fifth Avenue  
New York, NY 10103  
Phone: 212-318-3021  
Fax: 212-318-3400  
Email: [cschmerler@fulbright.com](mailto:cschmerler@fulbright.com)  
<http://www.fulbright.com/>

\*\*\*\*\*

This email message and any attachments are for the sole use of the intended recipient(s) and contain confidential and/or privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply email and destroy all copies of the original message and any attachments.

To reply to our email administrator directly, send an email to [postmaster@fulbright.com](mailto:postmaster@fulbright.com).



**Schmerler, Charles D.**

---

**From:** Schmerler, Charles D.  
**Sent:** Wednesday, June 21, 2006 6:50 PM  
**To:** 'Martin.E.Weisberg@bakernet.com'  
**Subject:** FW: Strategy Loan Documents

Dear Marty:

We would appreciate your clients' response on the issue raised below. The rights of GVECR and PEM Group under the relevant pledge agreements are quite clear, and we require the cooperation of SIIG and SILLC with respect to the member interests. This is an issue of considerable significance. Thank you for your prompt assistance.

Regards,

Chad Schmerler

**Charles D. Schmerler, Esq.**  
**FULBRIGHT & Jaworski L.L.P.**  
666 Fifth Avenue  
New York, NY 10103  
Phone: 212-318-3021  
Fax: 212-318-3400  
Email: cschmerler@fulbright.com  
<http://www.fulbright.com/>

\*\*\*\*\*

This email message and any attachments are for the sole use of the intended recipient(s) and contain confidential and/or privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply email and destroy all copies of the original message and any attachments.

To reply to our email administrator directly, send an email to [postmaster@fulbright.com](mailto:postmaster@fulbright.com).

---

**From:** Schmerler, Charles D.  
**Sent:** Monday, June 19, 2006 6:28 PM  
**To:** 'Martin.E.Weisberg@bakernet.com'  
**Subject:** Strategy Loan Documents

Dear Marty:

Following up on our conversation of last week, please advise when you anticipate advising as to the delivery of the certificates representing the Member Interest and/or Additional Member Interest of SIIG in SILLC, together with the relevant executed powers. I had understood from you that you were to be in communication with Baker & Hostetler to resolve the issue. Thank you.

Regards,

Chad Schmerler

**Charles D. Schmerler, Esq.**  
**FULBRIGHT & Jaworski L.L.P.**  
666 Fifth Avenue  
New York, NY 10103  
Phone: 212-318-3021  
Fax: 212-318-3400  
Email: cschmerler@fulbright.com  
<http://www.fulbright.com/>



\*\*\*\*\*

This email message and any attachments are for the sole use of the intended recipient(s) and contain confidential and/or privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply email and destroy all copies of the original message and any attachments.

To reply to our email administrator directly, send an email to [postmaster@fulbright.com](mailto:postmaster@fulbright.com).

**Schmerler, Charles D.**

---

**From:** Weisberg, Martin E. [Martin.E.Weisberg@BAKERNET.com]  
**Sent:** Wednesday, June 21, 2006 7:17 PM  
**To:** Schmerler, Charles D.  
**Subject:** RE: Strategy Loan Documents

Chad,

I have passed your email on to Mr. Letteri, who has just returned from 10 days away from the office. I will be discussing your request with him tomorrow. As you know there are many outstanding issues between Strategy and you clients and various that need to be resolved to the mutual satisfaction of all parties.

Regards

Marty Weisberg

Martin Eric Weisberg  
Baker & McKenzie LLP  
1114 Avenue of the Americas  
New York, NY 10036  
Phone: (212) 626-4512  
Fax: (212) 310-1786  
martin.e.weisberg@bakernet.com

-----Original Message-----

**From:** Schmerler, Charles D. [mailto:cschmerler@fulbright.com]  
**Sent:** Wednesday, June 21, 2006 6:50 PM  
**To:** Weisberg, Martin E.  
**Subject:** FW: Strategy Loan Documents

Dear Marty:

We would appreciate your clients' response on the issue raised below. The rights of GVECR and PEM Group under the relevant pledge agreements are quite clear, and we require the cooperation of SIIG and SILLC with respect to the member interests. This is an issue of considerable significance. Thank you for your prompt assistance.

Regards,

Chad Schmerler

Charles D. Schmerler, Esq.  
FULBRIGHT & Jaworski L.L.P.  
666 Fifth Avenue  
New York, NY 10103  
Phone: 212-318-3021  
Fax: 212-318-3400  
Email: cschmerler@fulbright.com  
<http://www.fulbright.com/>

\*\*\*\*\*

This email message and any attachments are for the sole use of the intended recipient(s) and contain confidential and/or privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply email and destroy all copies of the original message and any attachments.

To reply to our email administrator directly, send an email to [postmaster@fulbright.com](mailto:postmaster@fulbright.com).

>  
> **From:** Schmerler, Charles D.  
> **Sent:** Monday, June 19, 2006 6:28 PM



> To: 'Martin.E.Weisberg@bakernet.com'  
> Subject: Strategy Loan Documents

> Dear Marty:

> Following up on our conversation of last week, please advise when you  
> anticipate advising as to the delivery of the certificates  
> representing the Member Interest and/or Additional Member Interest of  
> SIIG in SILLC, together with the relevant executed powers. I had  
> understood from you that you were to be in communication with Baker &  
> Hostetler to resolve the issue. Thank you.

> Regards,

> Chad Schmerler

> Charles D. Schmerler, Esq.  
> FULBRIGHT & Jaworski L.L.P.  
> 666 Fifth Avenue  
> New York, NY 10103  
> Phone: 212-318-3021  
> Fax: 212-318-3400  
> Email: cschmerler@fulbright.com  
> <http://www.fulbright.com/>

> \*\*\*\*\*  
> This email message and any attachments are for the sole use of the  
> intended recipient(s) and contain confidential and/or privileged  
> information. Any unauthorized review, use, disclosure or distribution  
> is prohibited. If you are not the intended recipient, please contact  
> the sender by reply email and destroy all copies of the original  
> message and any attachments.

> To reply to our email administrator directly, send an email to  
> [postmaster@fulbright.com](mailto:postmaster@fulbright.com).

Pursuant to requirements related to practice before the Internal Revenue Service, any tax advice contained in this communication (including any attachments) is not intended to be used, and cannot be used, for the purposes of (i) avoiding penalties imposed under the United States Internal Revenue Code or (ii) promoting, marketing or recommending to another person any tax-related matter.

This message may contain confidential and privileged information. If it has been sent to you in error, please reply to advise the sender of the error and then immediately delete this message. Click here or visit [www.bakernet.com/disclaimer\\_bm](http://www.bakernet.com/disclaimer_bm) for other important advice concerning this message.